



United States Department of Agriculture
Rural Development

TO: All Approved Lenders

SEP 24 2007

FROM: David J. Villano
Deputy Administrator
Single Family Housing

SUBJECT: Fiscal Year End Information Regarding Section 502 Program
Delivery of Guaranteed Purchase and Refinance Loans

Funding for Fiscal Year 2008 (FY08), Section 502 Single Family Housing Guaranteed loans has not been enacted and it appears a budget may not be passed by the beginning of the fiscal year, which begins October 1, 2007. However, Rural Development will carry-forward funding from Fiscal Year 2007 (FY07) to FY08, and it will be "business as usual" for new loan applications.

There will be a short period of time beginning October 1, 2007 when funding will likely not be available as our FY07 carry-forward funds are transferred into FY08 funding. During this brief period, expected to be about two weeks, Rural Development will continue to accept complete loan applications and issue Conditional Commitments subject to the availability of appropriated funds. Lenders should continue to process, receive Agency conditional commitments, and close loans during this timeframe. Rural Development will also continue accepting, reviewing, and conditionally approving loan packages from lenders during this timeframe.

The following steps will apply:

- 1) Rural Development will not be able to reserve loan funds for applications in process during this timeframe.
- 2) Rural Development will continue to accept completed Section 502 Guaranteed loan program applications from lenders.
- 3) Rural Development will process, approve, and issue Conditional Commitments for those applications that are eligible. During this timeframe Rural Development will process those applications that are eligible and issue

1400 Independence Ave, SW • Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Conditional Commitments for those applications that are eligible *subject to the availability of Congressionally appropriated funding*.

- 4) Lenders may close these loans as scheduled.
- 5) Rural Development will "Obligate" funds for any loans processed *subject to the availability of Congressionally appropriated funding* when funds become available.
- 6) Once the loans are obligated, Rural Development will process lenders' Loan Note Guarantee requests as soon as the loans are verified as being closed and all conditions of the Conditional Commitments have been satisfied.
- 7) The lender assumes all loss default risk for the loan until Rural Development is able to fund it and issue the Loan Note Guarantee.

At this time, the guarantee fee will continue to be 2 percent of the loan amount.

Rural Development representatives are available to assist you with processing guarantee requests by issuing a Conditional Commitment subject to the availability of funds.

Your support of the Section 502 Loan Guaranteed program is appreciated. For questions regarding this memorandum, please contact Rural Development's Single Family Housing Guaranteed Loan Division, at (202) 720-1452.